

103D CONGRESS
1ST SESSION

H. R. 1149

To amend the Internal Revenue Code of 1986 to provide assistance to first-time homebuyers.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 25, 1993

Mr. ORTON (for himself, Mr. ACKERMAN, Mr. BACCHUS of Florida, Mr. DOOLITTLE, Mr. DORNAN, Mr. FINGERHUT, Mr. GILLMOR, Mr. GILMAN, Mr. HANSEN, Mr. MACHTLEY, Mr. PARKER, Mr. PAYNE of New Jersey, Mr. QUINN, Mr. ROHRABACHER, Mr. SARPALIUS, Ms. SHEPHERD, Mr. SISISKY, Mr. SOLOMON, Mr. SUNDQUIST, and Mr. ZELIFF) introduced the following bill; which was referred to the Committee on Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide assistance to first-time homebuyers.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “First-time Homebuyer
5 Affordability Act of 1993”.

6 **SEC. 2. FINDINGS AND POLICY.**

7 (a) FINDINGS.—The Congress finds that—

1 (1) it is desirable to make funds available from
2 individual retirement plans to encourage first time
3 home ownership, and

4 (2) the tax and penalty on the premature with-
5 drawal of funds from individual retirement plans are
6 substantial impediments to making such funds avail-
7 able for that purpose.

8 (b) POLICY.—It is the policy of the Congress to re-
9 move impediments to home investment by first-time home-
10 buyers by permitting owners of individual retirement plans
11 to direct the trustees of such plans to invest plan funds
12 as home equity or debt in the homes of family members
13 who are first-time homebuyers.

14 **SEC. 3. CERTAIN RETIREMENT PLANS AUTHORIZED TO**
15 **MAKE EQUITY INVESTMENTS IN PRINCIPAL**
16 **RESIDENCES FOR FIRST-TIME HOMEBUYERS.**

17 (a) EXEMPTION FROM PROHIBITED TRANSACTION
18 RULES.—Section 4975 of the Internal Revenue Code of
19 1986 (relating to tax on prohibited transactions) is
20 amended by redesignating subsections (h) and (i) as sub-
21 sections (i) and (j), respectively, and by inserting after
22 subsection (g) the following new subsection:

23 “(h) SPECIAL RULE FOR HOME EQUITY PARTICIPA-
24 TION ARRANGEMENTS.—

1 “(1) IN GENERAL.—The prohibitions provided
2 in subsection (c) shall not apply to any qualified
3 home equity participation arrangement.

4 “(2) QUALIFIED HOME EQUITY PARTICIPATION
5 ARRANGEMENT.—For purposes of this subsection—

6 “(A) IN GENERAL.—The term ‘qualified
7 home equity participation arrangement’ means
8 an arrangement—

9 “(i) under which the trustee of an in-
10 dividual retirement plan, at the direction of
11 the eligible participant, shall acquire an
12 ownership interest in all or any part of any
13 dwelling unit which within a reasonable pe-
14 riod of time (determined at the time the
15 arrangement is executed) is to be used as
16 the principal residence for a first-time
17 homebuyer, and

18 “(ii) which meets the requirements of
19 subparagraph (B) of this paragraph.

20 “(B) OWNERSHIP INTEREST REQUIRE-
21 MENT.—An arrangement shall meet the re-
22 quirements of this subparagraph if the owner-
23 ship interest described in subparagraph (A)—

24 “(i) is a fee interest in such property
25 equal to the percentage which—

1 “(I) the amount invested by the
2 trustee of the individual retirement
3 plan, bears to

4 “(II) the acquisition cost of or
5 total equity in the dwelling unit,

6 “(ii) by its terms requires repayment
7 in full upon—

8 “(I) the sale or other transfer of
9 the dwelling unit, or

10 “(II) the cessation of use as the
11 principal residence of the first-time
12 homebuyer, and

13 “(iii) may not be used as security for
14 any loan secured by any interest in the
15 dwelling unit.

16 “(3) DEFINITIONS.—For purposes of this sub-
17 section—

18 “(A) ELIGIBLE PARTICIPANT.—The term
19 ‘eligible participant’ means an individual on
20 whose behalf an individual retirement plan is
21 established.

22 “(B) FIRST-TIME HOMEBUYER.—The term
23 ‘first-time homebuyer’ means an individual
24 who—

1 “(i) is an eligible participant or quali-
2 fied family member, and

3 “(ii) had (and if married, such indi-
4 vidual’s spouse had) no present ownership
5 interest in a principal residence at any
6 time during the 36-month period before
7 the date of the arrangement.

8 “(C) QUALIFIED FAMILY MEMBER.—The
9 term ‘qualified family member’ means a child
10 (as defined in section 151(c)(3)), parent, or
11 grandparent of the eligible participant (or such
12 participant’s spouse). Section 152(b)(2) shall
13 apply in determining if an individual is a parent
14 or grandparent of an eligible participant (or
15 such participant’s spouse).

16 “(D) ACQUISITION; ETC.—

17 “(i) ACQUISITION.—The term ‘acqui-
18 sition’ includes construction, reconstruc-
19 tion, and improvement related to such ac-
20 quisition.

21 “(ii) ACQUISITION COST.—The term
22 ‘acquisition cost’ has the meaning given
23 such term by section 143(k)(3).

1 “(E) PRINCIPAL RESIDENCE.—The term
 2 ‘principal residence’ has the same meaning as
 3 when used in section 1034.”.

4 (b) EFFECTIVE DATE.—The amendment made by
 5 this section shall apply to arrangements entered into after
 6 December 31, 1992.

7 **SEC. 4. LOANS USED TO ACQUIRE PRINCIPAL RESIDENCES**
 8 **FOR FIRST-TIME HOMEBUYERS.**

9 (a) INDIVIDUAL RETIREMENT PLANS.—Section
 10 408(e) of the Internal Revenue Code of 1986 (relating to
 11 tax treatment of accounts and annuities) is amended by
 12 adding at the end thereof the following new paragraph:

13 “(7) LOANS USED TO PURCHASE A HOME FOR
 14 FIRST-TIME HOMEBUYERS.—

15 “(A) IN GENERAL.—Paragraphs (3) and
 16 (4) shall not apply to any qualified home pur-
 17 chase loan made, or secured, by an individual
 18 retirement plan.

19 “(B) QUALIFIED HOME PURCHASE
 20 LOAN.—For purposes of this paragraph, the
 21 term ‘qualified home purchase loan’ means a
 22 loan—

23 “(i) made by the trustee of an individ-
 24 ual retirement plan at the direction of the

1 individual on whose behalf such plan is es-
2 tablished,

3 “(ii) the proceeds of which are used
4 for the acquisition of a dwelling unit which
5 within a reasonable period of time (deter-
6 mined at the time the loan is made) is to
7 be used as the principal residence for a
8 first-time homebuyer,

9 “(iii) which is secured by the dwelling
10 unit,

11 “(iv) which by its terms requires re-
12 payment in full within 15 years after the
13 date of acquisition of the dwelling unit,

14 “(v) which by its terms treats any
15 amount remaining unpaid in the taxable
16 year beginning after the period described
17 in clause (iv) as distributed in such taxable
18 year to the individual on whose behalf such
19 plan is established and subject to section
20 72(t)(1), and

21 “(vi) which bears interest from the
22 date of the loan at a rate not less than the
23 rate for comparable United States Treas-
24 ury obligations on such date.

1 “(C) DEFINITIONS.—For purposes of this
2 paragraph—

3 “(i) FIRST-TIME HOMEBUYER.—The
4 term ‘first-time homebuyer’ has the mean-
5 ing given such term by section
6 4975(h)(3)(B).

7 “(ii) ACQUISITION.—The term ‘acqui-
8 sition’ has the meaning given such term by
9 section 4975(h)(3)(D)(i).

10 “(iii) PRINCIPAL RESIDENCE.—The
11 term ‘principal residence’ has the same
12 meaning as when used in section 1034.

13 “(iv) DATE OF ACQUISITION.—The
14 term ‘date of acquisition’ means the date—

15 “(I) on which a binding contract
16 to acquire the principal residence to
17 which subparagraph (B) applies is en-
18 tered into, or

19 “(II) on which construction, re-
20 construction, or improvement of such
21 a principal residence is commenced.”.

22 (b) PROHIBITED TRANSACTION.—Section 4975(d) of
23 the Internal Revenue Code of 1986 (relating to exemptions
24 from tax on prohibited transactions) is amended by strik-
25 ing “or” at the end of paragraph (14), by striking the

1 period at the end of paragraph (15) and inserting “; or”,
2 and by inserting after paragraph (15) the following new
3 paragraph:

4 “(16) any loan that is a qualified home pur-
5 chase loan (as defined in section 408(e)(7)(B)).”.

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to loans made after December 31,
8 1992.

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